



Department of Justice

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AT
(202) 616-2771
TDD (202) 514-1888

**JUSTICE DEPARTMENT WILL NOT CHALLENGE PROPOSAL BY ARIZONA DOCTORS
TO FORM A NETWORK OF COLON AND RECTAL SPECIALISTS**

WASHINGTON, D.C. -- The Department of Justice said today that it will not challenge a proposal from a group of Arizona doctors to form a physician network of colon and rectal surgical specialists in the Phoenix area that will negotiate and contract with health benefit plans to provide surgical and related services for the treatment of colon and rectal diseases and related conditions.

The Department's Antitrust Division said that the proposed physician network joint venture, to be called Allied Colon and Rectal Specialists, will not pose a significant anticompetitive threat due to the availability of colon and rectal services through other medical providers in Maricopa County, which encompasses the greater Phoenix metropolitan area.

The Department also said that the network has the potential to benefit managed care plans and their enrollees through efficiencies that may result from payers' ability to contract with a group of providers through a single representative and from utilization review and quality assurance monitoring.

The Department's position was stated in a business review letter from Anne K. Bingaman, Assistant Attorney General in

charge of the Antitrust Division, to counsel representing the physicians.

The Department said that the proposed activities do not raise substantial antitrust concerns when analyzed under the principles of the Statements of Enforcement Policy and Analytical Principles Relating to Health Care and Antitrust issued by the Department of Justice and Federal Trade Commission in September 1994.

Although the network comprises seven of the nine dedicated colon and rectal specialists in Maricopa County, and seven of 10 statewide, many other types of surgeons, including general surgeons and osteopathic surgeons, routinely perform similar procedures. This was confirmed by interviews with third-party payers. Based on a weighted average of the 10 most commonly performed colon and rectal procedures performed by all practitioners, Allied Colon and Rectal Specialists physicians provide only 15 percent of these services in Maricopa County and 9 percent statewide.

The network will involve significant risk sharing, and will include utilization review and quality assurance monitoring. Each Allied Colon and Rectal Specialists contract with health benefit plans will provide for physician services compensation either in the form of a capitated payment or under a discounted fee-for-service schedule for its member physicians with a "risk pool" withhold of at least 20 percent of the fees due each physician. This risk pool account will be distributed to the participating physicians only if the panel of doctors as a group meets pre-established efficiency and quality parameters.

Allied Colon and Rectal Specialists physician providers will participate in the network on a non-exclusive basis. Individual member providers will be able to affiliate and contract directly with competing multi-specialty networks, primary care groups, independent practice organizations, physician hospital organizations, managed care plans, and other third party payers. The network has established safeguards on information flow among its members to eliminate enforcement concerns about the sharing of information.

The proposal involves additional provisions that reduce the possibility of anticompetitive effects.

Under the Department's business review procedure, an organization may submit a proposed action to the Antitrust Division and receive a statement as to whether the Division will challenge the action under the antitrust laws.

A file containing the business review request and the Department's response may be examined in the Legal Procedure Unit of the Antitrust Division, Room 215 North, Liberty Place, Department of Justice, Washington, D.C. 20530. After a 30-day waiting period, the documents supporting the business review will be added to the file.

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